



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**

*Teachers' Fund for Retirement
State Investment Board*

REFUND OR RETIREMENT ANNUITY

TFFR members who cease covered employment should carefully weigh their options before making a decision about their retirement account.

WHAT ARE YOUR OPTIONS?

Nonvested member (less than three years)

- Elect a refund of the account value
(see *Refund/Lump Sum Distribution*).
- Waive the automatic refund.
State law requires an automatic refund be issued to any inactive nonvested member in the fiscal year following cessation of employment. A three year waiver of the automatic refund can be requested if you are planning to return to covered employment.

Vested member (three or more years)

- Elect a refund of the account value
(see *Refund/Lump Sum Distribution*).
- Defer retirement benefits.
A vested member who is not yet eligible for monthly benefits may choose to leave the retirement account in an inactive status and defer drawing retirement benefits until the Rule of 85, age 55, age 65, or any age in between. Benefits can be paid retroactive to initial eligibility and any post retirement benefit increases granted will not be lost.

If you should pass away while deferring retirement, survivor benefits will be available to your beneficiary. In addition, once monthly benefits begin, you would be eligible to join the NDPERS group health insurance plan.

Contact the administrative office for an estimate of your deferred retirement benefits.

REFUND/LUMP SUM DISTRIBUTION

If you terminate TFFR covered employment, you may request a refund (lump sum distribution) of your account value. This consists of the contributions you have paid plus six percent interest. The refundable account value does not include the employer contributions or investment earnings that are used to pay retirement benefits and amortize TFFR's unfunded liability.

A refund closes your account and all service credit earned to that point is forfeited. By selecting a refund, you are waiving all rights to a life-time annuity at retirement. However, should you return to TFFR covered employment, refunded service credit may be repaid.

WAITING PERIOD

There is a 120-day statutory waiting period from your last day of TFFR employment before a refund will be issued. The waiting period may be waived if you provide ALL of the following:

- Written proof of your resignation or non-renewal.
- Written proof of your employer's acceptance of your resignation.
- Written proof that you have either accepted non-covered employment or have permanently moved out-of-state OR a statement from a medical doctor attesting to non-employment during the upcoming school year for medical reasons.

- TFFR Certification of Employment form completed by your last employer.

A refund can not be issued until your employer has submitted all retirement contributions and reported the necessary information to close your account. A refund cannot be issued if you have ceased teaching for the summer months only, or are on a leave of absence.

TAX CONSIDERATIONS

The taxable portion of your refund may be:

- Paid in a direct rollover to an IRA (traditional IRA, not a ROTH) or another eligible retirement plan;
- Paid to you.

The choice you make will affect the tax you owe.

If the taxable portion of your refund is rolled over, no tax or penalty will be due and income tax will not be withheld.

If your refund is paid to you, TFFR is required to withhold 20 percent of the taxable portion of your refund. North Dakota state tax withholding is optional.

A 1099-R tax form will be sent to you the following January. This tax information will need to be disclosed on your tax return. If you separate from service before age 55 and receive a taxable refund payment from TFFR before age 59 1/2, you may have to pay an extra 10 percent penalty calculated on IRS Form 5329 in addition to the regular income tax.

Any previously taxed contributions will be paid to you unless you request that these contributions be rolled to a traditional IRA or to certain employer plans that accept after-tax contributions.

Personal income tax questions should be directed to your accountant, tax advisor, or Internal Revenue Service Center.

APPLICATION

Contact the administrative office for a refund/rollover application and important tax information.

Refunds are issued on the first working day of each month. However, your refund application and waiver documentation (if applicable) must be received by our office no later than ten working days before the end of the previous month.

This brochure is a summary of NDCC 15-39.1 and is not intended to provide total information concerning refund and retirement benefits. More detailed information may be obtained by contacting:

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